GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3880
ANSWERED ON:24.03.2017
Ponzi Companies
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government is aware of a number of Ponzi companies operating all over the country and dumping common people;

(b) if so, the details of such Ponzi companies identified by the Government/ SEBI during the last three years and the current year, company-wise and State/UTwise;

(c) whether the Government is contemplating any stringent action to check such companies operating in the country and if so, the details thereof; and

(d) the steps taken by the Government in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(a): The Government has received various complaints regarding cheating of small investors, particularly by the companies involved in Ponzi / Chit Fund / Multi Level Marketing activities in different states in the country.

(b): Based on the complaints received, the Ministry of Corporate Affairs has ordered investigation through Serious Fraud Investigation Office (SFIO) into the affairs of 185 such companies during the last three years and the current year.

The Directorate of Enforcement (ED) has taken up investigations in 36 cases against 'Ponzi Companies' under the provisions of the Prevention of Money Laundering Act (PMLA), 2002 during the last three years. The year-wise breakup of the cases is as under:
No. of PMLA cases under investigation
2014 2015 2016 Total
21 7 8 36

The Central Bureau of Investigation has also informed that it has registered 104 Regular Cases (RCs) relating to Chit Fund and Ponzi Schemes in many parts of the country. The year-wise break-up of these cases is as under:
Financial Year No of RCs
2014 66
2015 15
2016 23
Total 104

The Securities and Exchange Board of India (SEBI) regulates Collective Investment schemes (CIS) as defined under section 11AA of the SEBI Act, 1992 and issuance of securities to public. During the last three years and current year upto February 2017, SEBI has passed interim orders against 76 entities and final order against 65 entities for carrying out CIS activities without obtaining certificate of registration as a Collective Investment Management Company in accordance with Section 12(1B) of SEBI Act, 1992 read with SEBI (CIS) Regulations, 1999. The year wise break up is as under:
Financial Year No of interim order No of Final order
2013-14 13 7
2014-15 51 14
2015-16 12 33
2016-17 0 11
Total 76 65

Reserve Bank of India (RBI) has indicated that there are a total of 486 cases pertaining to unauthorized collection of money by entities in various States /Union Territories which were discussed in State Level Coordination Committee (SLCC) / Sub Committee meetings.

(c) and (d): In order to control the menace of illegal collection of money in the garb of collective investment/ chit fund schemes, Government has, inter-alia, taken the following steps to prevent illegal deposit schemes:-

i. Reserve Bank of India (RBI) has constituted a mechanism in the form of State Level Coordination Committees (SLCCs) in all the States / UTs. The primary purpose of this forum is to facilitate information sharing among the Regulators and Enforcement agencies about the mobilization/ acceptance of deposits by unauthorized entities. SLCCs are chaired by the Chief Secretary of the State and its meetings are held quarterly. For regular follow-up on the cases, sub-committees of the SLCCs have also been formed in 20 states/

UTs. The sub-committees hold meetings in between two SLCC meetings as and when necessary.

ii. Draft Model Rules under the Prize Chits & Money Circulation Schemes (Banning) Act, 1978 have been formulated by the Government and circulated to all State Governments / UTs for adoption.

iii. RBI had formulated a Model "The XXX Protection of Interest of Depositors' (In Financial Establishments) Act, XXXX", which was circulated by the Government to all the States and Union Territories. Based on this 24 States and 3 Union Territories (UTs) have enacted special laws called the Protection of Interest of Depositors' (In Financial Establishments) Acts, where by States/ UTs are empowered to take action.

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